

AMENDED IN ASSEMBLY APRIL 6, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1512

Introduced by Committee on Insurance

March 5, 2015

An act to amend Section 396 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL’S DIGEST

AB 1512, as amended, Committee on Insurance. Insurance: notice of lapse.

Existing law requires an insurance policy to specify certain information, including, but not limited to, the parties to the contract, the property or life insured, the risks insured against, premium, and the coverage period. Existing law, commencing January 1, 2016, and with regard to private passenger automobile insurance that provides coverage for 6 months or longer, specified residential property insurance, and policies of individual disability income insurance that are issued and take effect or that are renewed on or after January 1, 2016, requires an insurer to maintain a verifiable process or adopt a procedure that allows an applicant or policyholder to designate one additional person to receive notice of lapse, termination, expiration, nonrenewal, or cancellation of a policy for nonpayment of premium, as specified. Existing law provides that if an insurer opts to adopt the verifiable process, then, the insurer, shall provide the policyholder, within 30 days after the inception of an individual policy, with notice of the right to designate one person. Existing law provides that if a policy holder pays the premium for an insurance policy through a payroll or pension deduction plan, then the notice of the right to designate one person need only be sent within 60

days after the policyholder is no longer on that deduction payment plan. Existing law further requires the application form for an insurance policy to clearly indicate the deduction payment plan selected by the applicant.

This bill would ~~remove~~ *delete* the requirement that the application form clearly indicate the deduction payment plan selected by the applicant. *The bill would make these provisions inapplicable to a policy of disability income insurance if the premiums for the policy are paid entirely by the employer.*

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 396 of the Insurance Code is amended
2 to read:

3 396. (a) An insurer shall do either of the following:

4 (1) Maintain a verifiable process that allows a policyholder to
5 designate in writing or by electronic transmission pursuant to
6 Section 38.5 one additional person to receive notice of lapse,
7 termination, expiration, nonrenewal, or cancellation of a policy
8 for nonpayment of premium. The insurer shall notify the
9 policyholder in writing or by electronic transmission pursuant to
10 Section 38.5 of this right at the time of the application or within
11 30 days after the inception date of an individual policy described
12 in subdivision (f), and at least every two years thereafter. The
13 notification described in this subdivision shall instruct the
14 policyholder how to request the designation and how to replace
15 or delete a designee. If a policyholder initiates contact with the
16 insurer after the insurer has provided notice and the insurer
17 complies with the policyholder's request to establish or change
18 the additional person to receive the notice described in this section,
19 the insurer shall not be required to maintain additional verification.

20 (2) Comply with subdivision (b).

21 (b) An insurer that adopts the following procedure shall be
22 deemed to have complied with subdivision (a).

23 (1) Unless an applicant for insurance has been provided notice
24 of the right set forth in this section prior to inception of the policy,
25 the insurer shall provide the policyholder, within 30 days after the
26 inception date of an individual policy described in subdivision (f),

1 with notice of the right to designate one person, in addition to the
2 policyholder, to receive notice of lapse, termination, expiration,
3 nonrenewal, or cancellation of a policy for nonpayment of
4 premium. The insurer shall provide each applicant or policyholder
5 with notice in writing or by electronic transmission pursuant to
6 Section 38.5 of the opportunity to make the designation. That
7 notice shall instruct the applicant or policyholder on how he or
8 she is to submit the name and address of one person, in addition
9 to the applicant or policyholder, who is to receive notice of lapse,
10 termination, expiration, nonrenewal, or cancellation of the policy
11 for nonpayment of premium.

12 (2) If after having been provided notice from the insurer of the
13 right to designate an individual to receive notice of lapse,
14 termination, expiration, nonrenewal, or cancellation for
15 nonpayment of premium, the applicant or policyholder fails to
16 designate an individual within 30 days, the applicant or
17 policyholder shall be conclusively presumed to have declined the
18 opportunity to exercise his or her right at that time.

19 (3) Notwithstanding subparagraph (C) of paragraph (2) of
20 subdivision (a) of Section 791.13 or any other law, the insurer
21 shall retain and utilize as necessary the contact information
22 provided in the written designation for the lifetime of the policy,
23 and allow the policyholder to update the written designation if the
24 policyholder so requests.

25 (c) (1) A policyholder retains the right to designate the one
26 additional person to receive notice of lapse, termination, expiration,
27 nonrenewal, or cancellation for nonpayment of premium at any
28 time, at the initiative of the policyholder, regardless of whether
29 the policyholder previously declined to exercise that right. At least
30 every two years, the insurer shall notify the policyholder in writing
31 or by electronic transmission pursuant to Section 38.5, of
32 whichever of the following applies:

33 (A) If a policyholder has previously provided a designation
34 pursuant to this subdivision, in writing or by electronic transmission
35 pursuant to Section 38.5, the right to change the prior designation
36 by replacing or deleting a person to receive notice of lapse,
37 termination, expiration, nonrenewal, or cancellation for
38 nonpayment of premium.

39 (B) If the policyholder has not previously designated a person
40 to receive the notice of lapse, termination, expiration, nonrenewal,

1 or cancellation for nonpayment of premium pursuant to this
2 subdivision, the right to designate a person to receive notice of
3 lapse, termination, expiration, nonrenewal, or cancellation for
4 nonpayment of premium.

5 (2) The notice requirements in subparagraphs (A) and (B) of
6 paragraph (1) may be provided to a policyholder in a single notice
7 and shall not require two separate notices.

8 (d) When a policyholder pays the premium for an insurance
9 policy through a payroll or pension deduction plan, the
10 requirements contained in paragraph (1) of subdivision (b) need
11 not be met until 60 days after the policyholder is no longer on that
12 deduction payment plan.

13 (e) An insurance policy shall not lapse or be terminated for
14 nonpayment of premium unless the insurer, at least 10 days prior
15 to the effective date of the lapse, termination, expiration,
16 nonrenewal, or cancellation, gives notice to the individual
17 designated pursuant to subdivision (a) or (b) at the address provided
18 by the policyholder for purposes of receiving the notice of lapse,
19 termination, expiration, nonrenewal, or cancellation for
20 nonpayment of premium. Notwithstanding any other law, notice
21 shall be given by first-class United States mail, postage prepaid,
22 within 10 days after the premium is due and unpaid. This
23 subdivision does not modify requirements for notice to the
24 policyholder of lapse, termination, expiration, nonrenewal, or
25 cancellation set forth in other sections of this code.

26 (f) This section applies only to policies of private passenger
27 automobile insurance that provide coverage for six months or
28 longer, policies of residential property insurance as described in
29 subdivision (a) of Section 10087 that take effect or that are renewed
30 after the effective date of this section, and policies of individual
31 disability income insurance as described in subdivision (i) of
32 ~~Section 799.01.~~ *799.01, except if the premiums for the policy are*
33 *paid entirely by the employer.*

34 (g) This section applies to policies that are issued and take effect
35 or that are renewed on or after January 1, 2016.

36 (h) An individual designated by a policyholder pursuant to this
37 section to receive notice of lapse, termination, expiration,
38 nonrenewal, or cancellation of the policy for nonpayment of
39 premium does not have any rights, whether as an additional insured

- 1 or otherwise, to any benefits under the policy, other than the right
- 2 to receive notice as provided by this section.
- 3 (i) This section shall become operative on January 1, 2016.

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